AGENDA ITEM or FINAL CONTRACT REVIEW SUBMITTAL FORM

Agenda Item: Gunnison Business Report; REDI Grant Final Report

Action Requested: Discussion

Parties to the Agreement:

Term Begins: **Term Ends:** **Grant Contract #:**

Summary:

Presentation of the Gunnison Business Assessment and REDI grant final report

Fiscal Impact:

Submitted by: Liz Mense **Submitter's Email Address:** EMense@gunnisoncounty.org

Finance Review: ○ Required ◉ Not Required

Comments:

Reviewed by: Discharge Date:

County Attorney Review: ○ Required ◉ Not Required

Comments:

Reveiwed by: Discharge Date: Certificate of Insurance Required

Yes ○ No ○

County Manager Review:

Comments:

Reveiwed by: GUNCOUNTY1\mbirnie Discharge Date: 5/24/2019

○ Consent Agenda ○ Regular Agenda ○ Worksession Time Allotted: 20 minutes

Agenda Date: 5/28/2019

Revised April 2015

May 28, 2019

To: Gunnison County BOCC
From: Delaney Keating, Contract Project Manager

Re: REDI Grant Progress & Final Report

Grant Narrative:
The purpose of the REDI Grant was to establish a baseline of content to kick-off the economic development efforts in Gunnison County, which emerged from the One Valley Prosperity Project. A key deliverable was the OVPP website, which has evolved into GCBEconomicDevelopment.com. The projects in the REDI Grant scope, listed below, were established to build content that fosters internal community pride while also serving as an external audience with interest in either and/or both commercial/residential relocation. The established content is threaded in the stories that are built here and communicate our core values that this is a good place to live, work, and learn. The only outlier within the REDI Grant scope is the Gunnison Valley Business Assessment. This additional project was built to serve local companies with growth potential and ICELab/Community Leadership with insights on what area businesses beyond the "startup" phase need to sustain or expand.

Notes: Items in red will need tending to post-contract within ICELab/TAPP.

Scope Details:

Think Business Podcast/Video Episodes: (complete)
Quantity: 20 "Think Business" and still in production
Featured: (All walks of business) Kirstie Pike, Ian Glas, Josh Freed, Briana Wiles, Karen Hoskin, Patrick Pexton, Kent Viles, Stephen Kett, Brian Riepe, Chris Caskey, Delaney Keating, Krista Powers, Beth McKeon, Paul Duba, Katie Maher, Pete Jantz, Heidi Magnus
Distribution: GCBEconomicDevelopment.com, ThinkRadio.com, YouTube, iTunes, Stitcher
Purpose:

1. Shareworthy content that builds community pride for the great people and great things happening here.
2. Attract outside interest through promotion of our social capital.
3. Initial funding worked as a catalyst to launch a series that is ongoing and includes other value stories along the lines of people and planet.

Recommended Distribution: Chambers, Community Websites, ICELab, etc.

Storytellers: (1-2 pending)
Quantity: 3 and still in production
Featured: Local businesses
Distribution: Publicly attended event with video available for GCBEconomicDevelopment.com
Partnership: Storytellers has been a joint initiative between both Chambers and ICELab

Purpose:

1. Community engagement
2. Shareworthy content that builds community pride for the great people and great things happening here.

Recommended Distribution: Chambers, Foundations, Libraries, Creative Orgs, City/County Channels, ICELab, etc.

4-part Video Series: (Due 6/30/19)

Quantity: 4

Featured: IDSculpture (Andris Zobs), Montanya Distillers (Karen Hoskins), Nunatak Solar (Lena Wilensky)

Distribution: GCBEconomicDevelopment.com

Purpose:

1. Shareworthy content that builds community pride for the great people and great things happening here.

Recommended Distribution: Chambers, Foundations, Libraries, Creative Orgs, City/County Channels, ICELab, etc.

Print Promotion: (Due 6/15/19)

Quantity: 2500+ Postcards

Featured: Highly engaging, promotional message to drive interest (internal and external) to GCBEconomicDevelopment.com

Purpose: Simple, engaging message to drive interest and engagement to the new ED website and video series highlighting local talent, along the principles of "Live, Work and Learn."

Recommended Distribution: Chambers, Foundations, Creative Orgs, Cultural Orgs, ICELab, Other Identified Locations

Gunnison Valley Business Assessment:

Quantity: 12 solicited, 5 signed up

Featured: The company details are confidential and therefore this report does not list the companies consulted.

Purpose: Serve local companies with product, growth potential with 1:1 consulting to understand gaps, needed resources, and industry strengths. Assessment also serves ICELab/Community Leadership with insights on what area businesses beyond the "startup" phase need to sustain or expand. (Note: New ICELab Director, David Assad, was able to join Anthony Russo for these assessments to properly integrate him into the community).

Recommendations: Follow-up with Anthony Russo, TradeHub International, to collect finer details from his continued work with each company

Key Insights:

See full, detailed report, attached.

Themes:

- Quality of life took precedent over growth and profit consistently.
- Companies at risk of losing competitive edge, if current trajectory of gentrification continues.
- Niche and custom producers showed market strength and void transport concerns.
- Educated labor pool leaves due to "brain drain" and lack of opportunity.
- Labor costs are high, with an average of 50 - 62%.
- Increased cost of living and lack of affordable housing is a critical issue, contributing to a shrinking talent/employee base.
- Several companies are establishing unique benefit packages to attract/retain staff.
- Cost of operating will eventually force some companies to pursue full or partial relocation.
- Available business funding was a universal concern. Noted lack of awareness for regional and statewide resources, like SBA, etc.
- Community involvement is important to all interviewed companies.
- General lack of trust and faith in community leadership, especially in regard to economic development.

Recommendations:

- Create an execution plan – what does Gunnison County want to be?
    - Define roles and clear economic development message to re-establish faith and trust
- Create a regionalization plan – establish regional strengths and potential partnerships
- Solve for business sustainability:
    - support and/offset the high costs of labor due to the high cost of living
    - employee/talent retention and attraction
    - develop models for public/private partnership
    - explore cost sharing, co-op for ingredients, packaging, logistics, etc.
- Solve for affordable housing. If outlying communities solve for affordable housing first, Gunnison County could be at risk of a mass exit.
- Offer more opportunities for financial acumen:
    - P&L, Balance Sheet, Cashflow, Budgeting & Forecasting, Costing & Pricing
    - As this is not often a strength within a small company, nor do they have the resources to secure a proper CFO, consider a verified, contract CFO to support companies on an annual/recurring basis. This ongoing service could instill trust in the companies, while making a direct investment in their community/economic contributions. This could help drive refined direction within company founders.

- Create a working space to support finished goods - local marketplace combined with manufacturing, commercial kitchen or other (may require some feasibility study)

Follow-up:

- Companies reported to Delaney Keating that this initial assessment was beneficial and would welcome annual or ongoing support of this nature.
- Consultant Anthony Russo will continue direct 1:1 work with each company through June 30, 2019 to help drive solutions and action plans.

Final Grant Report: (Due 6/30/19)

Delaney Keating will coordinate with Cathie Pagano to complete and submit the final grant repot to DOLA (Department of Local Affairs).

TradeHub International

Gunnison Business Assessment

REDI Grant Final Report

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Table of contents

- Purpose of the Assessment
- Methodology
- Key Findings
- Recommendations
- Next Steps

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Purpose of the Assessment

The purpose of this assessment was to evaluate the Gunnison County business environment and the needs of the individual businesses.

Gunnison County presents unique business benefits and challenges that each company must balance to be successful. This report will line them out, highlighting the high points while addressing specific threats that can hinder sustainable growth in the region.

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Methodology

Companies were interviewed utilizing a set of questions that were designed to first establish a macro view and then drill down to specific company needs. The questions gauged the health of the business environment, availability of resources, customer location, and other potential challenges.

In all, eleven companies were evaluated. Six independently and five in a group setting. Six of the companies would be considered startup to small, three medium and two large. The companies range from one to forty-five employees.

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Key Findings

Why Gunnison County?

Quality of Life and Community

- Every business contacted is located in Gunnison County for the quality of life.
- Secondly, but no less important, was to support the community.
- There was an altruistic reason for nearly every business decision made.
- Companies supported not only the community, but one another as well.
- Outdoor and recreational activities were the primary draw

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Key Findings

Why Gunnison County?

Quality of Life and Community

- Community involvement is important to all the interviewed businesses
- About 25% of the companies encountered felt that collaboration was important or felt working with other companies was valuable
- Company leadership, in some cases, was not motivated to grow, move or change business behaviors as it could potentially impact the quality of life

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Key Findings

Skilled Labor and Availability

- It is difficult to maintain a skilled labor force
- Of the businesses that shared specific numbers, the cost of labor as a percent to revenue was over 50% with two companies being at 62%. Companies were forced to overpay in order to retain their employees
- Although the labor costs were crippling, many of the owners/operators believed it was also a necessity due to the costs of living
- All of the companies felt that high labor costs had a negative impact on their business and was hindering growth

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Key Findings

Skilled Labor and Availability

- Housing availability and costs have prevent skilled labors from moving to or remaining in the area
- A small amount of businesses stated that the costs of operating in Gunnison County will prevent growth and will lead to eventual full or partial relocation
- Further educational and training support would be welcomed, but is not a deterrent, “Brain Drain” is a greater threat to the labor pool

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Key Findings

Resource Availability

- Many of the companies were familiar with the SBDC, Manufacturer's Edge, IceLab and other regional resources that were available to them
- In many cases, companies have used the local resources
- Questionable, was the impact these resources were having as it seemed, in some cases, that they have become more a crutch than a pathway to success
- Funding was a universal concern, and could be a function of the burden of high labor costs

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Key Findings

Resource Availability

- Understanding funding sources was imperative with additional education needed around P&L and Balance Sheet cleanup. For some companies, this would require that tough decisions be made (i.e. automating)
- The only funding sources that seemed to be known were venture capital and tradition lending. SBA, Commerce, Region 10 and other programs were not as familiar to the companies met
- Government contract training could be helpful for a number of the businesses

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Key Findings

Business Environment

- There is a lot of dreaming, but many of the companies lack acumen and solid strategies
- For those companies doing well, they are still sitting at low to no net profit due to variable costs
- Focus was certainly an issue as many companies seem to be going in several direction and not doing anything great, just ok
- Accounts receivables was not a major issue

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Key Findings

Business Environment

- Profit taking and lack of savings could be hurting quite a few of the companies leaving them exposed to risk
- Most of the companies were risk adverse, preferring the status quo over aggressive growth
- Lifestyle trumped business activity and proper planning. In many cases, the job got in the way of pet projects or the desired lifestyle
- Several people started their companies because of a quality life decision rather than success

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Key Findings

Business Environment

- The airport is critical to the region and continued growth in tourism will require additional routes and easier access
- An increased partnership with MTJ could drive additional tourism to the region
- It is believed that Gunnison has become a feeder community for Crested Butte, but lacks the housing and amenity support to lead to or sustain growth

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Key Findings

Business Environment

- Infrastructure is lacking with roads width, housing and public transport all being brought up as concerns
- The sidewalks in Gunnison do not allow for outdoor seating or proper pedestrian passage. Food and beverage companies believed that coding changes could lead to a more customer driven main street (specifically setbacks)
- Food companies expressed a need for more access to and availability of commercial kitchen space

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Key Findings

Business Environment

- Many of the companies were not solution driven, waiting for other to step in to make things happen
- Growth and financial gain was not a driving force behind many of the companies business decisions
- Fixed costs associated with office space, buildings and expansion were a hinderance to growth
- Logistics was not a concern as most companies have learned to work within the constraints.

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Key Findings

Business Environment

- Although logistics are not a concern, the costs can impact the business
- Most companies felt that Gunnison's businesses were very dependent on customers that were simply passing through – Need to find a way to make people stay
- Hotel availability could be a challenge
- A conflict of interest could exist where economic development is tied closely to venture capital in the region

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Key Findings

Business Environment

- Recent turnover in entities that are involved in economic development in the region has lead to confusion around purpose and messaging
- Local raw materials and ingredients are accessible to businesses that desire to promote local business – Delivery and consistent availability at times can be a concern
- Seasonality of both the university and tourism is a challenge for service based entities and for employee retention
- Buying power and reaching economy of scales is a concern

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Key Findings

Business Environment

- Several of the companies found greater success with customers outside of Gunnison County
- Smaller companies tended to have niche business serving local cliental whereas larger companies had a more regional presence. Only two of the companies had a national/international presence.
- Weather impacts non-hospitality and winter related businesses negatively
- Crested Butte has little room for growth and development

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Key Findings

Business Environment

- There seems to be a large difference between thriving businesses and those that are trying to gain a foothold in the market – Barriers to entry are high

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Key Findings

Business Acumen

- Costing is a concern for a number of business. They struggle to make a proper price
- Proper business planning and strategy building is difficult for many companies to understand
- Cash Flow, balance sheet and P&L review is a struggle for most companies
- Proper efficiency in production and space allocation was a concern for most companies

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Key Findings

Business Acumen

- Diversification of product offerings is a weakness for many businesses
- Niche businesses have been able to carve out a spot in the community
- Some of the smaller businesses have fallen into the trap of duplicating services or product offerings
- Many of the smaller customers struggle from unsustainable business practices such as raw material selection, self-delivery or pickup, long lead times and offseason "time off."
- Capacity building is a struggle for growing businesses

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Key Findings

Business Acumen

- Proper expectation setting, forecasting and budgeting is difficult for most companies
- There is a long cycle for many of the businesses as they invest and fail to achieve an ROI
- Smaller entities seems to believe that running a business should be easy and the hard work can be skipped
- For young entrepreneurs, there are numerous barriers to entry including working space, location selection, financing and housing

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Key Findings

Business Acumen

- Companies that have products require sales channel, market segmentation, distribution and retail training. How to reach the customer is critical.

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Recommendations

- Clearly define what Gunnison County is and wants to be
- Create incentives to attract developers and contractors to produce affordable housing
- Don’t miss the window of opportunity
- Outside the box thinking may be needed
- Develop opportunities to grow/produce agriculture and raw materials to support local businesses (i.e. green houses, hops, etc.)

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Recommendations

- Create a working space to support finished goods - local marketplace combined with manufacturing/kitchen space
- Leverage the university to create business, education and industry specific opportunity
- Rebuild the local economic development structure and redefine roles to build faith, new protocols and responsibilities
- Attract or let local business grow, removing obstacles, to grow the tax base

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Recommendations

- Basic business acumen training such as pricing, product selection and diversification, distribution, retail preparation, wholesaling, accounting (balance sheets, cash flow, P&Ls), raw material selection, understanding the point of sale and other like topics should be the focus of future business trainings and support. This could be a great focus for the IceLab and could be integrated with classes at western.

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Recommendations

- Find ways to share costs through co-op efforts for ingredients, packaging and logistics
- Leverage current strengths and encourage business collaboration
- Create a comprehensive regional approach to economic development focused on self-sustainability and regional strengths needs which would remove the reliance on seasonal patterns
- Increase local accessibility to flights to/from Gunnison and rely on MTJ when necessary

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Next Steps

- Continued company engagement and follow-up
- Gain local support and trust which will lead increased business acumen and collaboration
- Create or assign a single entity to focus efforts and pool regional resources
- Rebuild the economic development strength in the region

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Next Steps

Final Thoughts

Gunnison County is in a unique position as compared to many other Western Slope Communities. Gunnison and Crested Butte are attractive for their quality of life and have the ability to draw individuals to the region outside of ski season. It has the amenities, the university, support structure and businesses that can survive in spite of the seasonality in the region. It does not have to work to attract people, it needs to build an environment that they can reasonably live and thrive.

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Next Steps

Final Thoughts

If the proper steps are taken and a long-term economic plan developed to make affordable housing available, leverage the university, make the community self-sustainable and create spaces for young businesses in the area can grow. Unlike many small communities, people both young and old are looking for ways to stay in the are. Gunnison County needs to make this a viable solution.

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